

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 114 - HB 103**

February 23, 2015

**SUMMARY OF BILL:** Extends the repeal date of the CoverKids Act of 2006 for five years to June 30, 2020.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue - \$6,201,300**

**Increase State Expenditures - \$58,638,800**

**Increase Federal Expenditures - \$181,091,600**

**Other Fiscal Impact – The CoverKids program will receive approximately \$861,900 in pharmacy rebates that will be used in funding the program in FY15-16.**

**The Governor's proposed FY15-16 budget includes revenue recognition of \$6,201,300 and expenditures of \$241,156,100 (\$58,776,700 state, \$181,517,500 federal, and \$861,900 other).**

**Assumptions:**

- The CoverKids program is the state's Children's Health Insurance Program (CHIP) that is set to expire on June 30, 2015. Comprehensive healthcare benefits, including dental care, that are comparable to those in the state-sponsored health plans are provided to eligible children and pregnant women (coverage for the unborn child) whose family income is less than 250 percent of the federal poverty level. The CoverKids program currently covers over 64,000 children and over 3,700 pregnant women.
- Under the maintenance of effort portion of the Patient Protection and Affordable Care Act, the state is required to maintain current eligibility requirements.
- Maintaining current eligibility requirements will continue the program at its current funding levels. The base budget for FY15-16 is \$234,391,100. This amount includes approximately \$861,900 funded through pharmacy drug rebates.
- The remaining \$233,529,200 (\$234,391,100 - \$861,900) will receive a federal match rate of approximately 75.5396 percent and state funds at a rate of 24.4604 percent will be needed resulting in state expenditures of \$57,122,176 (\$233,529,200 x .244604) and federal expenditures of \$176,407,024 (\$233,529,200 x .755396).

- There are projected cost increases in FY15-16 of \$6,201,250 because the CoverKids program is moving to a health maintenance organization (HMO) and will be subject to the current 5.5 percent HMO tax that will be realized as state revenue. These additional costs are projected to receive a federal match rate of 75.5432 percent and state funds at a rate of 24.4568 percent will be needed resulting in state expenditures of \$1,516,627 ( $\$6,201,250 \times .244568$ ) and federal expenditures of \$4,684,623 ( $\$6,201,250 \times .755432$ ).
- The total increase in state expenditures is estimated to be \$58,638,802 (\$57,122,176 + \$1,516,627).
- The total increase in federal expenditures is estimated to be \$181,091,647 (\$176,407,024 + \$4,684,623).

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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